CENTRAL INTELLIGENCE AGENCY WASHINGTON, D.C. 20505

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1.5(c) 3.4(b)(1)

MEMORANDUM FOR: The Director of Central Intelligence

SUBJECT

Possibility of Soviets' Gaining Control

1.5(c) 3.4(b)(1)

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of Number of Greek Merchant Ships

reveals The enclosed report present concern of Greek Prime Minister Stefanopoulos over current Soviet shipbuilding negotiations with a private Greek shipowner. Specifically, Stefanopoulos is worried about an arrangement whereby the Soviets could hold 60-percent ownership in a fleet of 70 Greek merchant ships. Stefanopoulos' situation is worsened by the fact that the Greek Government is finding it hard to dispose of large stocks of tobacco, one of the items the Soviets are willing to accept as barter for the ships.

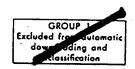
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Desmond FitzGerald Deputy Director for Plans

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Enclosure:

3.4(b)(1)



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Distribution: The Director of Central Intelligence

Special Assistant to the President

The Director of Intelligence and Research Department of State

The Director, Defense Intelligence Agency

The Director of Naval Intelligence Department of the Navy

Deputy Director for Intelligence

Director for National Estimates

Director for Current Intelligence

## CENTRAL INTELLIGENCE AGENCY Intelligence Information Special Report

1.5(c) 3.4(b)(1)

Greece COUNTRY DATE 1.5(c) 9 September 1966 DATE OF 3.4(b)(1) INFO. **SUBJECT** Possibility of Soviets' Gaining Control of Number of Greek Merchant Ships

SOURCE

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- A private interest in Greece is negotiating a barter arrangement with the Soviet Union, under which the Soviets would exchange ships for Greek tobacco. 1 The original arrangement called for 34 ships. Now the arrangement has expanded to 70 ships, with the Soviets retaining 60-percent ownership. The ships would sail under the Greek flag and be operated by the private Greek shipowners. Greek Prime Minister Stefanos Stefanopoulos is apparently concerned over the economic leverage the Soviets could gain by controlling a fleet of 70 Greek ships.
- Stefanopoulos received an offer of five million U. S. dollars for a quantity of tobacco which the Greek Government was inclined to accept.2 To satisfy the Greek shipping interest, Stefanopoulos wants to convert this amount and subsequent orders into shipbuilding enterprises.

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recent reports on the Frangistas-Soviet ship deal.
American Embassy telegram 674 from Athens reported that Greek shipowner Achillefs Frangistas had informed the Embassy on 9 August that he was negotiating with the Soviets for the purchase of 35 more vessels.
Also,

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the report would tend to discredit the notion that the Soviets are negotiating to expand the original deal. According to paragraph 6 of that report, Frangistas reportedly discussed opening a Piraeus office for CUFLET, the Cuban Government firm controlling freighters of the Cuban merchant fleet.

2. Comment: The Greek Government is having difficulties in disposing of 60,000 tons of accumulated tobacco stocks. As of May 1966, the value of these stocks was estimated at 90 to 100 million U.S. dollars. Attractive Soviet offers to barter ships for this tobacco would be hard for the Greek Government to refuse.